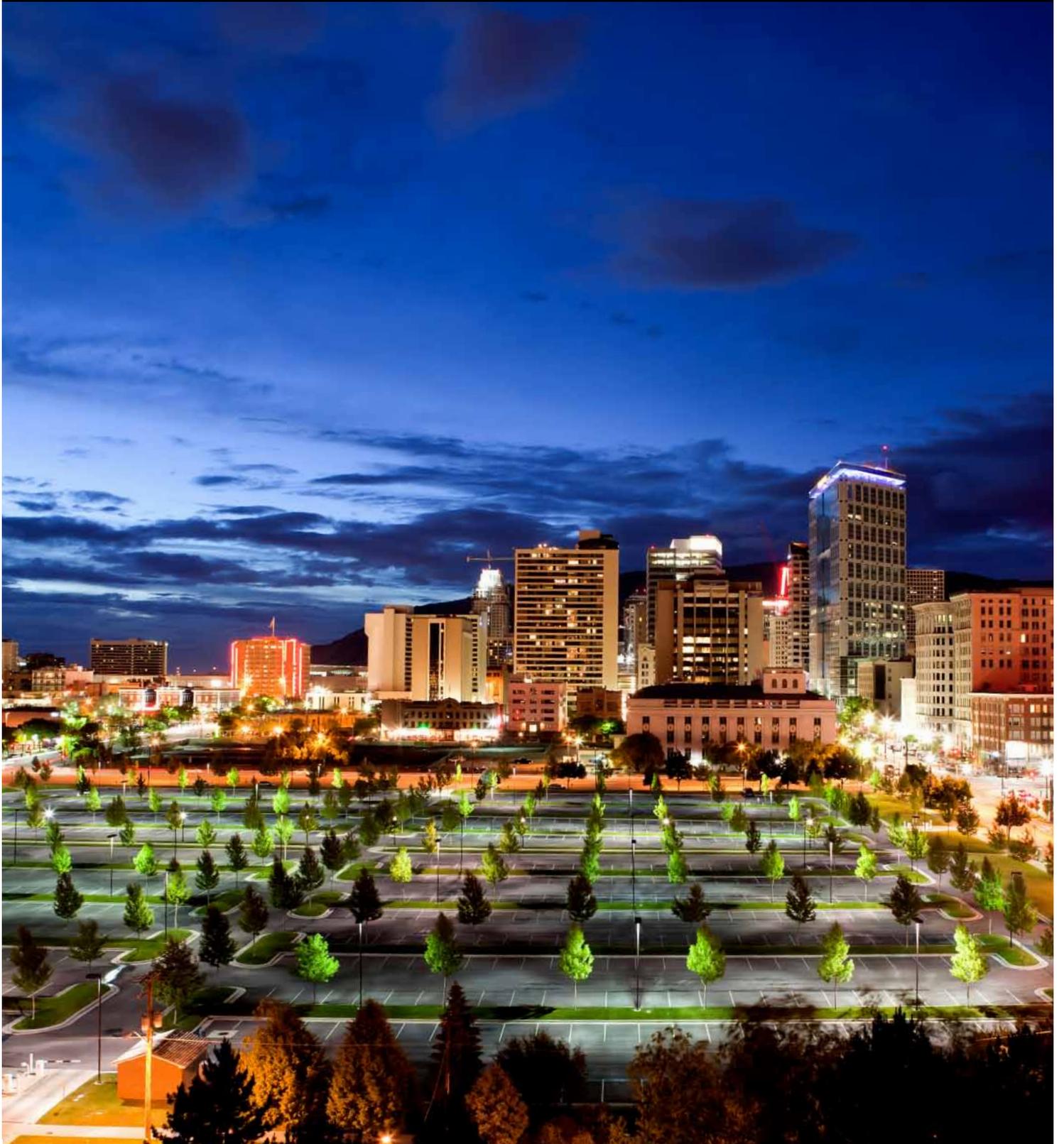




Utah's  
Credit  
Unions®

# Utah Credit Union Association 2010 Annual Report



# 77th Annual Business Meeting Agenda

March 11, 2011

National Anthem .....Clary Malmstrom

Pledge of Allegiance.....Sterling Nielsen

Call to Order .....Chairman Barber

Report of the Credentials Committee  
(with supplementary reports from time  
to time as directed by the Chairman)

Introduction of Board and Guests .....Chairman Barber

Reading of the Minutes of the 76th Annual Meeting  
(unless dispensed with by motion) -  
and all action thereon.....Secretary Milovich

Committee Reports

Report of the Nominating Committee.....John Lund

Other Business .....Chairman Barber

CUNA Mutual Report..... Gary Lee Fischer

Report of the Chair.....Chairman Barber

Report of the President.....Scott Simpson

SunCorp Report..... Tom Graham

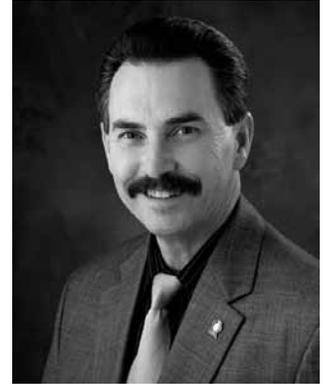
Adjournment

# Utah Credit Union Association Annual Report 2010

## Contents

Message from the Chairman .....	2
Message from the President .....	4
2010 Board of Directors .....	5
Utah League of Credit Unions Staff .....	6
Minutes of the 76th Annual Business Meeting .....	7
Report of Bruce Richards, Legal Counsel .....	10
Report of Governmental Affairs .....	11
Report of the Credit Union Development Committee .....	12
Report of the Education Committee .....	13
Report of the Karl S. Little Foundation .....	14
Independent Auditors' Report .....	15
Consolidated Statements of Financial Position .....	16
Consolidated Statements of Activities .....	17
Consolidated Supplemental Schedule of Expenses .....	18
Consolidated Statements of Cash Flows .....	19
Notes to Consolidated Financial Statements .....	20
2010 Year End Statistics .....	22

## Message from the Chairman



As I complete a year of the responsibility that my peers have provided me in filling the Chair of the Utah Credit Union Association Board of Directors, I couldn't help but think back on my history in "Credit Union Land". I have been an employee of Members First Credit Union for nearly 20 years, yet I know I am just a youngster compared to many that are the "giants" of the Utah Credit Union family.

I have, through the years, had the opportunity to be associated with many influential, visible, and often very vocal, credit union leaders that have facilitated the accomplishment of much worthwhile advancement in our industry. As well as many that continue to do great things for their credit union, and the movement, in their own quiet way. I have great admiration and respect for so many people in this industry because of the commitment to the fundamental principles and philosophy of the Credit Union Movement. We exist on the very foundation of "People Helping People".

It is, then, an amazing responsibility to Chair the trade association that provides the central organization that allows us to jointly further the ideals of cooperative financial services in Utah.

The economic problems of the last few years continue to provide difficulties that directly affect credit unions, as well as all financial institutions and other businesses, locally and around the world.

We find ourselves with the continued dilemma of funding the loss of capital at the Corporate Credit Unions, and we will all be faced with serious decisions this year about continued relationships with our long time corporate partners.

The continued degradation of societal beliefs in responsibility, coupled with the economic factors that surround us, have led to bankruptcies, repossessions, charge offs and regulatory required "losses" at levels I have never seen in my 34 years in the financial industry, which has caused serious harm to all financial institutions. Some of our long time credit union family and friends are no longer with us. Others are struggling for the means to just continue day to day operations.

Luckily, it has been quiet for a few years on Capitol Hill. However, this year we were once again faced with serious legislative threats. A very punitive, single interest bill, aimed directly at credit unions, was considered, as well as other bills directly affecting all financial institutions. Any of these bills could have caused serious harm to our industry. Collectively, they could have had disastrous effects on multiple credit unions in a short time.

It's obvious that the Utah Credit Union Association cannot solve the industry's difficulties, nor turn back time and provide a path to avoid the problems that have plagued so many of us. However, Association management and staff were there again, on the Hill, with the knowledge, manpower and expertise needed to deflate and defeat these punitive bills.

Quality educational opportunities are continually available from the Association, at very reasonable prices, with the tools needed to help deal with many of the difficulties presented to us as members. Direct help in the areas of compliance and governance are available to any size credit union with the aim to buoy up and support anyone that needs the help.

Most importantly, the very fact that we associate together brings a strength that cannot be matched if we were to individually stand alone.

Can I put a dollar for dollar value on dues and associated costs? Probably not. But if for nothing more than the defeat of the continued bad public policy presented on the Hill year after year, I believe every last dues dollar is more than well spent.

Add to that the strength that comes from associating with amazing and wonderful people throughout our industry and the resources and knowledge that come from that continued association, and you have what I consider to be an unbeatable opportunity for every credit union, large or small, to continue to serve our communities the way we always have: "Not for profit, not for charity, but for service."

As cooperative financial institutions, we are built on the foundation of People Helping People. We are all in this together. That's why credit unions were formed, and that cooperative attitude is what has makes us strong and continues to be the backbone of our entire industry.

I extend my heartfelt thanks to UCUA CEO Scott Simpson, and his very capable staff, for the manner in which they manage the Association, and to each of you as member credit unions, my peers, for your support of this outstanding organization.

Brad V Barber  
Utah Credit Union Association Board Chair  
President/CEO Members First Credit Union

## Message from the President



2010 was another interesting year for Utah's Credit Unions and because we're an extension of you, it was an interesting year for your trade association.

Because we're in the guts of the 2011 legislative session, it's difficult to focus on the challenges and accomplishments of 2010. Each time I try to reflect, at least during the last few years, I remember a particular conversation I had with one of our own a couple years back.

In the early fall of 2008, Lynn Kuehne said to me, "I can't wait for golf weather to return." We were talking about the financial difficulties we were only beginning to understand. At that point the talking heads were predicting a V-shaped recession that might last six months. It was Lynn's way of saying he couldn't wait for the chaos to end. Here we are now, two years past that time he hoped for. I don't think anyone at that point predicted the path that we have traveled since then.

It has undoubtedly been hard. We have seen some heretofore unthinkable changes in the movement. I don't know if it's because I am superstitious or an optimist, but I tend to like to focus on the half-full side of the ledger. You have survived a pretty amazing time. It's hard to know what tomorrow will bring, but the last few yesterdays have refined some skill and strength that will serve credit union members well for years to come. You have been busy. We have been busy.

Here is small report of our work over the past year:

Last year we took a pretty big step by rebranding as the Utah Credit Union Association. In the 2010 legislative session we pursued and passed a bill that changed auto title procedures in favor of credit unions. We also stopped last year's version of this year's Bramble bill. We provided campaign support for 33 state and local candidates through the summer and fall. We held many volunteer training nights throughout the state. We hosted a midsize credit union roundtable. We continue to host regular small credit union roundtables. We also obtained a grant to subsidize a new financial counselor certification program.

We improved our compliance support with the addition of Heather Line, our Compliance Guru. We modified our dues formula to create a more equitable distribution. Like you, we cut our budgets to reflect significant reduction in our income. And we prepared ourselves for the tough legislative session we're in right now.

It's been tough sledding, but the work of credit unions goes on. We are needed now more than ever. For now, I'm with Lynn...I can't wait for golf weather to return.

Sincerely,

Scott Simpson  
President/CEO

# 2010 Board of Directors

## At-Large



**Brad Barber**  
Members First CU



**Sterling Nielsen**  
Mountain America CU

## Small

(up to  
\$25 million  
in assets):



**Kent Greenfield**  
Education First CU



**Ken Payne**  
Freedom FCU

## Medium

(from  
\$25 million to  
\$100 million  
in assets):



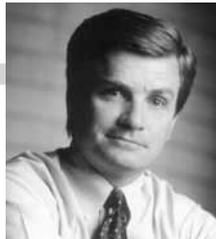
**Mike Milovich**  
Eastern Utah Community CU



**Randy Gailey**  
Horizon CU

## Large

(from  
\$100 million to  
\$1 billion  
in assets):



**Brett Blackburn**  
Utah Central CU



**Jim Hofeling**  
Jordan CU



**Todd Adamson**  
Cyprus CU

## \$1 billion+

(more than  
\$1 billion  
in assets):



**John Lund**  
America First CU

# Utah Credit Union Association Staff

Name Department/Title	Extensions	Direct #'s	Email
Hartvigsen, Tom Director of Graphic Services	304	801-887-2330	tom@utahscreditunions.org
Hunter, Steve VP of Government Relations	320	801-887-2333	hunter@utahscreditunions.org
Line, Heather Compliance Guru	308	801-887-2322	heather@utahscreditunions.org
Malmstrom, Clary Executive Assistant	300	801-972-3400	clary@utahscreditunions.org
Mortensen, Cecily Director of Grassroots Support	303	801-887-2324	cm@utahscreditunions.org
Nelson, Stephen VP of Credit Union Support	323	801-887-2323	sn@utahscreditunions.org
Pearson, Marilyn VP of Education & Training	301	801-887-2336	mp@utahscreditunions.org
Simpson, Scott President / CEO	328	801-887-2328	ss@utahscreditunions.org
White, Liz Director of the 100% For Kids Foundation	323	801-887-2323	liz@utahscreditunions.org

# Minutes of the 76th Annual Business Meeting of the Utah League of Credit Unions

Held at the Hilton Salt Lake Center  
Salt Lake City, Utah  
March 12, 2010

Vice-Chairman Kent Greenfield introduced himself as the Vice-Chair of the Utah League of Credit Union's Board of Directors and President of Education First Credit Union. He called the meeting to order at 3:50 p.m.

Mike Milovich, president of Eastern Utah Community Credit Union led the group in the Pledge of Allegiance.

Vice-Chairman Greenfield then welcomed the delegates and guests to the Annual Business Meeting and then introduced the members of the Credentials Committee:

Gary Lee Fischer, Chairman, CUNA Mutual Group  
Arlene Erickson, CUNA Mutual Group  
Judy Jackson, Credit Union Service Centers  
Gerry Oborn, Alliance Credit Union

Gary Lee Fischer reported that there were present 31 delegates representing 31 credit unions.

Chairman Blackburn introduced Bruce Richards as legal counsel and appointed him as parliamentarian for the meeting.

He then, in the absence of objection, appointed Clary Malmström as the recording secretary.

Vice-Chairman Greenfield then introduced the members of the League Board of Directors: Kent Greenfield, Vice Chair, Education First Credit Union; Brad Barber, Secretary, Members First Credit Union; Jim Hofeling, Jordan Credit Union; Sterling Nielsen, Mountain America Credit Union; John Lund, America First Credit Union; Todd Adamson, Cyprus Credit Union; Muriel Blake, Southwest Community Federal Credit Union; Randy Gailey, Horizon Credit Union; Ken Payne, Freedom Credit Union; Mike Milovich, Eastern Utah Community Credit Union; (Brett Blackburn, Chair, Utah Central Credit Union was excused).

Vice-Chair Greenfield asked if there were any former League Board Chairpersons present. There were none present. He then introduced guests Tom Graham of SunCorp Credit Union and Gary Lee Fischer from CUNA Mutual Group.

Vice-Chair Greenfield turned time over to Gary Lee Fischer of CUNA Mutual Group. Gary Lee shared a video commemorating the 75th anniversary of CUNA Mutual Group.

Vice-Chair Greenfield then turned time over to Tom Graham of SunCorp Credit Union. Mr. Graham reviewed concerns of credit unions and challenged credit unions to speak up to the NCUA so that they can understand our concerns. He spoke of coming changes in administration and regulation. He said that no matter what happens, SunCorp will not leave credit unions high and dry. They will help bridge to whatever future may come. We can't attack each other, but need to discuss any issues behind closed doors. Cooperate. Credit unions must work together to move forward. SunCorp is your association, your CUSO; please help us bring everyone together. Mr. Graham quoted Julia Lowe, who founded the Girl Scouts in 1912, "The work of today is the history of tomorrow." He expressed that the work we do today is some of the most significant and we all need to work together to accomplish our goals.

## **Minutes of the 76th Annual Business Meeting (continued)**

Vice-Chair Greenfield asked for changes or corrections to the minutes of the 75th annual business meeting. As there were none he then entertained a motion to dispense with the reading of the minutes.

A MOTION WAS MADE BY THOMAS GOURDIN, FIREFIGHTER'S CREDIT UNION, TO DISPENSE WITH THE READING OF THE MINUTES OF THE 75TH ANNUAL BUSINESS MEETING . DALE HOWE OF LOGAN MEDICAL FEDERAL CREDIT UNION SECONDED THE MOTION. MOTION CARRIED.

### **Committee Reports**

Vice-Chairman Greenfield indicated that the committee reports were in the 2009 Annual Report. He thanked everybody that participates on those committees. In the absence of objections the reports were filed and received.

Vice-Chairman Greenfield turned the time over to Jim Hofeling, Chairman of the Nomination Committee. The other members of the committee are Randy Gailey and Ken Payne.

### **Report of the Nomination Committee**

Jim Hofeling asked if any in the room would like to come forward for the election. There were no volunteers. Jim stated that the nominating committee received only one nomination per open seat. Those nominations were the people that were already incumbents. (The incumbents nominated were Sterling Nielsen, Mountain America Credit Union, At-large category; Mike Milovich, Eastern Utah Community Credit Union, Medium category; Kent Greenfield, Education First Credit Union, Small category; Todd Adamson, Cyprus Credit Union, Large category; and John Lund, America First Credit Union, \$1 billion + category.) Chairman Jim Hofeling entertained a motion to elect the nominated candidates to their respective seats by acclamation.

A MOTION WAS MADE BY DENNIS MURRAY OF PREMIER SERVICES CREDIT UNION TO ELECT THE NOMINATED CANDIDATES TO THEIR RESPECTIVE SEATS BY ACCLAMATION. BLAINE GOODELL OF ALLIANCE COMMUNITY FEDERAL CREDIT UNION SECONDED THE MOTION. MOTION CARRIED.

### **Chairman's Report—included in the 2009 Annual Report**

#### **Report of the President**

President Simpson began his report by mentioning the difficulties of the past year. In Thoughts on the Cause of the Present Discontent Edmund Burke wrote, "When bad men combine, the good must associate; else they will fall, one by one, an unpitied sacrifice in a contemptible struggle." Many credit unions, in this time of fear have tended to end up in their own corners, instead of associating and banding together. Many fear associating. At the federal level we have faced regulatory reform, corporate stabilization, a possible consumer protection agency, the SAFE act, the CARD act, the community reinvestment act, mortgage cramdown, member business lending and more—these have all come at us in 2009. In seven years with the League, I have never seen anything like what happened in 2009. Much of it is not over yet. This is absolutely the time for credit unions to associate together.

There was a handful of legislation in the state directed toward credit unions and the financial industry. The League was a factor that helped those bills from passing. President Simpson explained details of some of those bills. This organization prevented several bills from harming all of you. The impact these bills would have had is enormous. There was even a piece of legislation directed

## **Minutes of the 76th Annual Business Meeting (continued)**

toward a single credit union, specifically. The League's efforts in pointing out of the harm it would have done to the credit union industry helped that bill to die.

The good news is that we were able to pass positive legislation. President Simpson heard credit unions loud and clear over the past year on the losses as a result of the float that exists in car dealers. We were able to go to Capitol Hill and pass legislation that changes the nature of lien holder notification. President Simpson thanked Bruce Richards for drafting that bill. That legislation was enrolled as law yesterday.

These are significant times. President Simpson expressed that he was proud of the League staff that has stayed true to our mission and has worked for our member credit unions. There have been many changes and improvements in the website that makes it more accessible. In education and training there have been several roundtables on significant topics ranging from capital reform to repossession. They have been useful and it important for us to get together and discuss these issues.

The political season is upon us. President Simpson spoke about the need for and importance of fundraising. It is important for us to be politically active, to give, and to be involved civically. He reported that 11 credit unions met, and some surpassed, their CULAC fundraising goals. We have two different PACs (Political Action Committees). One is CULAC, the federal PAC, and the state PAC, or UCUPAC. Varian SL Employees Credit Union surpassed their goal at 4,056% LU 354 IBEW, Credit Union One, Education First, Freedom, Jordan, Alliance, HeritageWest, Granite, Eastern Utah, and American United all achieved their CULAC goals in 2009. American United, Jordan, America First, South Sanpete, Utah Central, and Weber all achieved their UCUPAC goals for 2009. We're moving in the right direction. The trajectory right now is better than it has ever been.

There have been significant changes in the League staff in the past year. Marilyn Barnes retired in 2009 after 33 years at the League. Scott recognized Lynn Kuehne having left the league. He mentioned Lynn's contributions to the movement and to the League. He thanked Lynn and had the audience applaud his 17 years of service.

Even though the mood this year is similar to that of last year, the future is bright. It was crisis that created this movement. The league will not stop working to protect the environment in which credit unions thrive. We will continue to work for you and serve your members.

Vice Chair Greenfield thanked Scott for his time and devotion on the League's behalf. He also recognized and thanked league staff, especially Marilyn Pearson for her organization of the annual meeting.

The Annual Business Meeting adjourned at 4:23 p.m

# Report of Bruce Richards, Legal Counsel

TO: Delegates and Member Credit Unions

We are pleased to report on the status of legal matters affecting the Utah Credit Union Association and its subsidiary, Credit Union Service Corporation (CU-Serve). The Association and CU-Serve are not parties to any litigation nor are there any known claims pending against either entity.

2010 continued to see greater involvement of credit unions in Utah in litigation claims against credit unions. Many of the claims arose as counterclaims in cases filed by credit unions to collect defaulted loans. Many of the claims arose as disputes over construction loans with members disguising investment loans as owner occupied loans and then being unwilling to accept responsibility when the loans came due and the investments had failed. Credit unions have generally been successful in defending against these claims. Nevertheless, greater care in underwriting and documenting loans and maintaining and following specific policies and procedures in all areas of lending are warranted.

Mortgage loan modification and forbearance programs have created significant confusion with members and borrowers. Virtually all credit union held mortgage loans are not subject to the federal modification programs. The 2011 Utah Legislature introduced several bills attempting to address the borrower issues. Action at the state level is not likely to be helpful given the servicers are generally out of state and the modification programs are administered by federal mortgage agencies.

Utah's credit unions met the economic challenges of 2010 head on. The challenges made unique and inventive management approaches necessary to attain good financial results and meet member needs.

2011 will be a similar year posing unique and difficult challenges for credit unions. The new consumer regulatory agency will not have authority with respect to most credit union operations. The agency's policies and regulations are likely to be followed by state and federal regulators.

We appreciate our opportunity to represent the Utah Credit Union Association, CU-Serve and many credit unions. We hope to be part of the solution to the challenges and problems faced by credit unions.

Respectfully submitted,

Bruce L. Richards  
Bruce L. Richards & Associates

# Report of Governmental Affairs

TO: Delegates and Member Credit Unions

With elections and national and state legislation, last year was certainly a busy one for the governmental affairs staff. In the 2010 session credit unions presented a bill that attempted to streamline the process for automobile loans. We worked with the new and used car dealer associations, as well as the bankers association to craft the legislation. The bill was signed into law on March 29th, 2010. A bill introduced by Anderson Development Corporation became a major issue throughout the year. We successfully defeated the bill in the House without it ever receiving a public hearing, but had to again work to put a stop to the bill at the end of 2010 and into the 2011 legislative session.

The Association had several meetings with credit union employees to discuss the process of candidate nomination, and encouraged them to attend Caucus night. Two staff members from the Association were elected as delegates this past year—Cecily Mortensen in the Salt Lake County Convention and Marilyn Pearson in the State Nominating Convention.

Also in 2010, David Butterfield, Chief Marketing & Operations Officer at USU Charter Credit Union, was elected as State Representative for District 9. The Association helped him every step of the way. Remarkably he won 70% of the votes taking him straight to the ballot in November. It is great to have one of our own up at the State Capitol.

Last June right before the primary election, the Association contributed approximately \$5,332.48 from UCUPAC and assisted 11 different state candidates with the design and print of political materials including invitations, flyers, postcards, and newsletters.

Leading up to the November general election the Association endorsed eight state candidates, all of whom were elected. We assisted 23 different state candidates and all but one was elected. To summarize 2010, UCUPAC contributed to 33 state candidates and donated to 11 different campaigns.

Thanks to the money raised in 2010 for UCUPAC and CULAC we are happy to report that Utah's credit unions had a significant impact on this year's election results.

Thanks to the great response from our state in running Project Zip Code, Utah was honored at the recent 2011 Governmental Affairs Conference with an award for the "Greatest Increase in Credit Union Members Identified through PZC."

2011 has already begun to be a good year for getting involved. With Credit Union Day on the Hill at the State Capitol in February, regular Governmental Affairs Committee meetings, and new participants turning out for the 2011 GAC in Washington, DC, we know this year is going to be great!

Respectfully submitted,

Stephen Hunter  
Former VP of Government Relations  
Utah Credit Union Association

## Report of the Credit Union Development Committee

The Credit Union Development Committee exists to help credit unions with less than \$50 million in assets thrive. In 2010 we held several roundtable luncheons, providing an opportunity for executives from small credit unions to share ideas, discuss challenges, and generally support each other in our efforts to lead our credit unions. We also held our annual Small Credit Union CEO conference in September. This meeting was well attended, with 29 credit unions attending.

Nine grants totaling \$45,821 were approved and distributed in 2010. These grants will help credit unions continue to serve their members by replacing outdated computers, upgrading phone systems, and funding badly-needed investments in new websites, products and services. We extend our sincere appreciation to America First for their ongoing and generous support of this fund.

The following individuals serve on the committee:

Ann Brinkerhoff – CUP Federal Credit Union  
Arleen Childs – Tanner Employees Credit Union  
Sandra Garcia – Sunnyside Credit Union  
Dale Howe – Logan Medical Credit Union  
Doug Huntsman – Utah Federal Credit Union  
Janie Larsen – St. Mark's Employees Credit Union  
Lynn Nelson – Meadow Gold Employees Credit Union  
Stephen Nelson – Utah Credit Union Association staff liaison  
Ken Payne – Freedom Credit Union  
Tammy Phillips – Varian SL Employees Credit Union

The tenacity of these individuals in continuing to look to the future and strive for excellence in the face of ongoing economic challenges and increased regulatory burdens is inspiring. They really do have a passion for this movement, and are an asset to Utah's Credit Unions.

Respectfully submitted,

Ken Payne  
Credit Union Development Committee Chair

# Report of the Education Committee

TO: Delegates and Member Credit Unions

The Education Department for Utah's Credit Unions has the responsibility of planning and facilitating a wide variety of programs and training options each year. There is a considerable amount of effort and dedication put into these events in searching for the best and most qualified speakers, while providing the training at reasonable prices, on multiple subject matters, and in many different levels of content and subject matter so that they are beneficial to a wide variety of attendees. A considerable amount of time and energy was spent by our education staff to arrange for the wide variety of training events held last year. All of this effort provides an excellent learning opportunity for us. We strive to keep costs at a minimum, thus maximizing your dues dollars.

As always, we encourage your input and suggestions so that the subject matter continues to be viable and valuable for all attendees.

We again offered the pre-purchased training certificates for credit unions to participate in numerous one-day training events. Pre-purchasing in January provides credit unions a discount for these trainings and seminars throughout the year. We encourage you to take advantage of this program.

It has been my privilege to join the Education Committee this past year. I have watched them function over the years and have the highest regard for their efforts. Now that I am involved on a more personal level, I can attest to the hard work given by the staff and the willingness to help where needed by volunteers to make such opportunities available to us. I would like to thank each of them for their dedication, expertise and service in planning training options for credit unions.

We want to be sure the training you receive is appropriate and worthwhile. Please feel free to let us know how we can be of further help.

Respectfully submitted,

Randy Gailey  
Education Committee Chair

# Report of the Karl S. Little Foundation

To: Delegates and Member Credit Unions

The mission of the Karl S. Little Foundation is to provide scholarship monies to assist member credit union employees that attend Western CUNA Management School, thereby improving their financial skills and ability to assist credit union members.

The financial condition of the foundation is sound with current assets of \$16,111.36 and layered CDs totaling \$98,177.34. A \$22,800.00 payable to the C.U. Association for scholarships paid in 2009 and 2010 will be cleared in 2011. The payable was made to prevent loss of income from the early closure of a CD.

Scholarships totaling \$6,000.00 were provided to credit union employees from several credit unions in 2010 to assist with their attendance to Western CUNA Management School.

Traditionally, the annual Karl S. Little Golf Tournament and interest earned from previous credit union contributions fund these scholarships. Since economic pressures have precluded the generation of additional scholarship monies from our golf tournament, we would ask that you consider including a donation of your choosing with the payment of your association dues next year.

We encourage credit unions that may not have the means to send their employees to Western CUNA Management School to apply for the scholarship. It is preferred that only one application per Credit Union be submitted, so the benefit can be provided more uniformly amongst our members. We also encourage Credit Unions that have a solid bottom line and can afford to provide this education for their prospective or current management employees to do so.

Respectfully submitted,

Randy Gailey  
Chairman

**GERALD K. STRONG**  
**Certified Public Accountant**

3001 Plateau Drive  
Salt Lake City, Utah 84109  
Telephone 801 486-0096  
Fax 801 419-0875

## **Independent Auditors' Report**

Audit Committee of the  
Board of Directors of  
Utah League of Credit Unions  
Salt Lake City, Utah

I have audited the accompanying consolidated statements of financial position of Utah League of Credit Unions and subsidiary as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These financial statements and the supplemental schedules discussed below are the responsibility of the League's management. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements and supplemental schedule of expenses of Utah League of Credit Unions and subsidiary as of December 31, 2009 were audited by auditors of another firm which has ceased operations. Those auditors expressed an unqualified opinion on those financial statements and supplemental schedules in their report dated March 5, 2010.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Utah League of Credit Unions and subsidiary as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit also comprehended the supplemental schedule of expenses for the year ended December 31, 2010. In my opinion, such supplemental consolidated information, when considered in relation to the basic financial statements, presents fairly in all material respects the information shown therein.

Gerald K. Strong, CPA  
March 7, 2011  
Salt Lake City, Utah

# Consolidated Statements of Financial Position

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2010 and 2009

## ASSETS

	2010	2009
<b>CURRENT ASSETS</b>		
Cash on deposit with affiliated credit unions	\$ 2,643,823	\$ 2,968,575
Receivables:		
Trade	400,944	134,787
Prepaid expenses	32,202	36,609
Total current assets	<u>3,076,969</u>	<u>3,139,971</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	467,857	448,339
Automobiles	130,256	130,256
Leasehold improvements	18,248	18,248
Less accumulated depreciation	(478,905)	(422,688)
Property and equipment - net	<u>137,456</u>	<u>174,155</u>
<b>OTHER ASSETS</b>		
Deferred tax asset	—	182
Club membership	7,500	7,500
Investment in affiliates	112,517	112,517
Total other assets	<u>120,017</u>	<u>120,199</u>
	<u>\$ 3,334,442</u>	<u>\$ 3,434,325</u>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accrued payables and accrued liabilities	\$ 236,327	\$ 338,953
Grants payable	75,784	126,372
Deferred taxes	4,202	—
Deferred revenue	410	68,690
Total current liabilities	<u>316,723</u>	<u>534,015</u>
<b>UNRESTRICTED NET ASSETS</b>	<u>3,017,719</u>	<u>2,900,310</u>
	<u>\$ 3,334,442</u>	<u>\$ 3,434,325</u>

See accompanying notes

# Consolidated Statement of Activities

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2010 and 2009

	2010	2009
<b>SUPPORT AND REVENUES</b>		
Membership dues	\$ 1,140,713	\$ 1,181,590
Service fees	181,355	196,235
Sales	—	2,092
Communications and marketing	880,658	718,202
Interest income	28,154	55,280
Other	—	19,738
Total support and revenues	<u>2,230,880</u>	<u>2,173,137</u>
<b>EXPENSES</b>		
Direct costs:		
Cost of sales	—	4,892
Direct service cost	89,660	109,180
Program expenses:		
Marketing and service cost	231,973	195,705
Legislation and political action	676,620	677,195
Communications	262,280	263,700
Education	76,007	74,898
General supporting expenses	686,738	648,394
Total expenses	<u>2,023,278</u>	<u>1,973,964</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE INCOME TAXES</b>	<u>207,602</u>	<u>199,173</u>
<b>INCOME TAX PROVISION</b>	<u>90,193</u>	<u>34,221</u>
<b>INCREASE IN NET ASSETS</b>	117,409	164,952
<b>NET ASSETS BEGINNING OF YEAR</b>	<u>2,900,310</u>	<u>2,735,358</u>
<b>NET ASSETS END OF YEAR</b>	<u>\$ 3,017,719</u>	<u>\$ 2,900,310</u>

See accompanying notes

# Consolidated Supplemental Schedule of Expenses

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2010 and 2009

	2010	2009
Salaries and benefits	\$ 965,973	\$ 1,008,608
Direct service costs	89,660	109,180
Rent	131,342	130,832
Cost of sales	—	4,892
Direct communication expense	63,301	67,750
Travel	32,235	23,311
Depreciation	56,217	30,636
Facility and equipment	18,987	18,250
Materials and supplies	20,971	8,952
Outside services	59,124	50,625
Taxes	9,623	25,915
Public relations and advertising	47,886	20,099
Direct legislative expense	196,080	171,196
Political action	83,750	110,000
Contributions and subscriptions	52,932	56,469
Operational assistance	32,899	—
Other	134,037	88,192
Board and committee expenses	28,261	49,057
Total expenses	\$ 2,023,278	\$ 1,973,964

See accompanying notes

# Consolidated Statement of Cash Flows

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in unrestricted net assets	\$ 117,409	\$ 164,952
Adjustments to reconcile increase in net assets to cash provided (used) by operating activities:		
Deferred taxes	4,384	12,275
Depreciation	56,217	30,636
(Gain) loss on disposal of property	—	(19,090)
Change in operating assets and liabilities:		
(Increase) decrease in receivables	(266,157)	13,382
(Increase) decrease in inventories	—	6,802
(Increase) decrease in prepaid expenses	4,407	(4,805)
Increase (decrease) in deferred income	(68,280)	68,690
Increase (decrease) in grants payable	(50,588)	(60,077)
Increase (decrease) in accounts payable and accrued liabilities	(102,626)	149,224
Net cash provided (used) by operating activities	<u>(305,234)</u>	<u>361,989</u>
<b>CASH FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property	—	43,935
Acquisition of property and equipment	(19,518)	(149,274)
Net cash provided (used) by investing activities	<u>(19,518)</u>	<u>(105,339)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(324,752)	256,650
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,968,575	2,711,925
End of year	<u>\$ 2,643,823</u>	<u>\$ 2,968,575</u>

See accompanying notes

# Notes to Consolidated Financial Statement

UTAH LEAGUE OF CREDIT UNIONS AND SUBSIDIARY  
December 31, 2010 and 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization and Purpose

The Utah League of Credit Unions (the League) is a non-profit organization that was formed for the purpose of rendering political, educational, technical and promotional services and support to member credit unions located within the State of Utah.

### Principles of Consolidation

The consolidated financial statements include the accounts of the League and its wholly-owned subsidiary, Credit Union Service Corporation - Utah (the Service Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

### Inventories

Inventories consist principally of preprinted forms held for sale to member credit unions and are carried at the lower of cost (computed on a first-in first-out basis) or market.

### Property

Property is stated at cost, depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

### Membership Dues and Service Fees

Membership dues are billed to each member credit union annually and are recognized as income in the period for which they are billed. Service fees are recognized as income in the period in which the services are provided.

### Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### Concentration of Credit Risk

All cash balances maintained by the League at separate banks are insured by the National Credit Union Administration up to \$250,000 in each institution through December 31, 2013. At December 31, 2010, the League's uninsured amount in those institutions was \$319,497. Financial instruments, which potentially subject the Company to concentrations of credit risk, include trade receivables. Two customers comprised 74% and 83% of the League's receivables at December 31, 2010 and 2009 respectively.

### Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from estimates that were assumed in preparing the financial statements.

### Fair value of Financial Instruments

The carrying amounts reported for cash, accounts receivable, other current assets, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments. The accounts receivable are considered to be fully collectible, accordingly, no allowance for doubtful accounts has been recorded.

### Basis of Accounting

The League operated under Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Tax-exempt Status

The Utah League of Credit Unions is a tax-exempt organization under Internal Revenue Code Section 501 and, as such, is not subject to income taxes on net income from exempt purposes. Credit Union Service Corporation is a taxable entity under Subchapter C of the Internal Revenue Code and, as such, is taxable on its net taxable income from activities.

## 2. INCOME TAXES

The League is a non-profit tax exempt organization under Section 501 (C) (6) of the Internal Revenue Code. The Service Corporation is a taxable entity. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of depreciable assets for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Certain items of income and expense are recognized for income tax purposes in different periods from those in which such item are recognized for financial reporting purposes, including depreciation and amortization, and gain on disposition of fixed assets. Deferred income taxes provide for the income tax effect of the timing differences. The income tax provision differs from the expense that would result from applying federal statutory rates to income before income taxes because certain expenses are not deductible for tax purposes.

The provision for federal and state income taxes for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
<b>Current (Expense)</b>		
Currently payable	\$ 85,809	\$ 21,946
Deferred	4,384	12,275
Total provision for income tax	<u>\$ 90,193</u>	<u>\$ 34,221</u>

The League's deferred tax assets at December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets	\$ 5,982	\$ 4,208
Deferred tax liabilities	(10,184)	(4,026)
Valuation allowance	—	—
Net deferred tax assets (liabilities)	<u>\$ (4,202)</u>	<u>\$ 182</u>

## 3. INVESTMENTS IN AFFILIATES

Investments in affiliates for the years ended December 31, 2010 and 2009 consisted of the following:

### Investment in Credit Union House LLC:

In April 2000, the League acquired an interest in Credit Union House LLC, a limited liability company, at a cost of \$75,000. The interest is not publicly traded and the investment is carried at cost, representing a 1.74% ownership.

	2010	2009
	\$ 75,000	\$ 75,000

### Investment in CU Cooperative Systems, Inc.

The Cu Cooperative Systems, Inc. Investment was acquired in April 2007. The stock is not publicly traded and the investment is carried at cost.

20,000	20,000
--------	--------

### Investment in CUNA Strategic Services, Inc. (CSSI):

The CSSI investment was acquired in January 2000. The stock is not publicly traded and the investment is carried at cost.

17,517	17,517
<u>\$ 112,517</u>	<u>\$ 112,517</u>

## 4. COMMITMENTS

The League's office space lease expired June 30, 2005. Since then the occupancy obligation is month-to-month.

## 5. EMPLOYEE DEFINED CONTRIBUTION PLAN

Commencing January 1, 2008, the League adopted a defined contribution plan under IRC Section 401(k). All employees at least 21 years of age who have completed six months of service are eligible to participate. Participants may contribute a specified percentage of eligible gross compensation. A 5% employer matching contribution is required, and an additional 4% contribution may be made at the discretion of the League's governing board. The employer contribution made during 2010 was \$54,386 and 2009 was \$62,835.

## 6. RELATED PARTY TRANSACTIONS

The League acts as agent or intermediary for the 100% For Kids Utah Credit Union Education Foundation (the Foundation). The League owed the Foundation \$90,000 at December 31, 2009. Certain officers of the League also serve on the executive committee of the Foundation.

# 2010 Year End Statistics

Credit Union President	Year-end assets	Members	Charter	Rank
Alliance Community Federal Credit Union Blake Burrell	\$92,650,496	13,540	Federal	17
Alpine Credit Union Jay Stokes	\$146,487,186	2,229	State	13
America First Credit Union Rick Craig	\$4,967,725,010	538,869	Federal	1
American United Family of Credit Unions Phillip Patten	\$74,426,197	8,733	Federal	24
Associated Federal Emp. Credit Union Spring Jensen	\$23,365,982	2,635	Federal	39
Bailey Inc. Employees Credit Union Joyce McDonald	\$881,485	398	State	82
Beckstrand and Associates Credit Union Mariam Behashti	\$936,105	101	State	81
Box Elder County Credit Union Scott Webre	\$84,527,051	12,878	Federal	23
C U P Credit Union Ann Brinkerhoff	\$6,655,464	1,322	Federal	56
Chevron West Credit Union Annette Anderson (acting)	\$85,131,559	6,331	State	22
Credit Union One Kent Hodson	\$61,922,564	9,857	State	26
Cyprus Credit Union Todd Adamson	\$553,580,789	71,109	Federal	5
Deseret First Credit Union Clint Gurney	\$418,952,171	53,815	Federal	7
Deseret News Employees Credit Union Janette Mack	\$1,971,239	426	State	74
DesertView Federal Credit Union Mike Nelson	\$30,354,602	5,176	Federal	34
Devils Slide Credit Union Jill Carrigan	\$8,617,619	1,255	Federal	53
Dugway Federal Credit Union Jackie Carnahan	\$3,537,958	941	Federal	67
Eastern Utah Community Credit Union Mike Milovich	\$91,415,823	12,864	Federal	18
Education 1st Credit Union Kent Greenfield	\$21,125,578	2,783	State	41
Employees First Credit Union Kenneth McDaniel	\$1,987,616	807	State	73
Employees of Granite Mill and Fixture Co. Credit Union Tami Anderson	\$29,677	30	State	93
EMSCO Credit Union Eloise Goodyear	\$1,190,424	149	State	80

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>Firefighters Credit Union</b>	Thomas Gourdin	\$27,649,307	3,464	State	36
<b>Freedom Credit Union</b>	Ken Payne	\$21,666,298	3,127	State	40
<b>Gibbons and Reed Employees Federal Credit Union</b>	Bill Christopherson	\$5,165,530	1,914	Federal	62
<b>Goldenwest Credit Union</b>	Shelley Clarke	\$766,169,655	80,505	Federal	3
<b>Grand County Credit Union</b>	Debbie Pierce	\$16,964,899	2,398	State	45
<b>Granite Credit Union</b>	Lynn Kuehne	\$321,919,230	31,200	Federal	9
<b>Granite Furniture Employees Federal Credit Union</b>	Ralph Jenkins	\$748,770	152	Federal	83
<b>Grantsville Credit Union</b>	Anne Goins	\$4,700,069	1,282	Federal	63
<b>Health Care Credit Union</b>	Scot Baumgartner	\$65,500,192	11,667	State	25
<b>Hercules Credit Union</b>	Brent Holmes	\$53,593,275	4,959	State	29
<b>Hi-Land Credit Union</b>	Blair Asay	\$37,040,731	2,727	State	32
<b>Horizon Credit Union</b>	Randy Gailey	\$111,929,484	14,918	Federal	15
<b>Jordan Credit Union</b>	Jim Hofeling	\$207,654,664	26,492	Federal	11
<b>Kings Peak Credit Union</b>	Paul Nielson	\$9,969,484	1,999	State	51
<b>Logan Cache Rich Federal Credit Union</b>	Ann Godfrey	\$17,021,341	2,111	Federal	44
<b>Logan City Employees Credit Union</b>	Jennifer Leishman	\$667,586	281	State	85
<b>Logan Medical Federal Credit Union</b>	Dale Howe	\$15,608,305	2,376	Federal	47
<b>LU 354 I.B.E.W. Credit Union</b>	Linda Perschon	\$16,348,501	2,320	Federal	46
<b>Meadow Gold Employee Credit Union</b>	Lynn Nelson	\$5,235,163	651	State	61
<b>Members First Credit Union</b>	Brad Barber	\$86,891,730	13,733	State	20
<b>Midvalley Federal Credit Union</b>	Linda Buell	\$6,590,664	905	Federal	57
<b>Millard County Credit Union</b>	Steve Shiner	\$24,451,491	5,379	State	38
<b>Moon Lake Electric Employees Credit Union</b>	Sharon Nielsen	\$1,441,547	526	Federal	75
<b>Mountain America Credit Union</b>	Sterling Nielsen	\$2,777,514,332	348,668	Federal	2

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>National J.A.C.L. Credit Union</b>					
	Dean Hirabayashi	\$32,669,510	4,496	State	33
<b>Nebo Credit Union</b>					
	Dale Phelps	\$59,925,547	10,308	State	27
<b>Nephi Western Employees Credit Union</b>					
	Judy Truscott	\$25,261,243	3,607	Federal	37
<b>Newspaper Employees Credit Union</b>					
	Pam Wagstaff	\$7,742,519	1,247	State	54
<b>North Sanpete Federal Credit Union</b>					
	Julie Strate	\$1,264,431	458	Federal	78
<b>Ogden Wonder Credit Union</b>					
	Carl Blake	\$476,348	173	Federal	87
<b>Orem City Employees Credit Union</b>					
	Thomas Phelps	\$4,259,694	906	Federal	64
<b>P &amp; S Credit Union</b>					
	Brenda van Hoorn	\$11,881,070	2,543	State	49
<b>Pacific Horizon Credit Union</b>					
	Steven Clayson	\$37,295,290	5,058	State	31
<b>Pacific Rails Credit Union</b>					
	George Crowder	\$28,376,562	2,822	State	35
<b>Peoples Electric Power Credit Union</b>					
	Susan Brady	\$1,221,845	248	State	79
<b>Phillips-Wasatch Credit Union</b>					
	Robin Carbaugh	\$5,473,274	901	State	60
<b>Premier Services Credit Union</b>					
	Dennis Murray	\$20,201,850	3,260	State	42
<b>Presto Lewiston Employees Credit Union</b>					
	Gaylene Stone	\$268,673	192	State	91
<b>Provo Police and Fire Dept. Credit Union</b>					
	Sheldon Lindsay	\$2,617,584	975	State	71
<b>Provo Postal Credit Union</b>					
	Scott Johnson	\$6,180,611	1,152	State	58
<b>S E A Credit Union</b>					
	Dale Woolsey	\$3,130,020	809	State	70
<b>Salt Lake City VAF Credit Union</b>					
	James Thomas	\$424,598	263	Federal	89
<b>Salt Lake Regional Med. Cntr. Credit Union</b>					
	Otto Liebergesell	\$1,369,380	243	Federal	77
<b>San Juan Credit Union</b>					
	Ann Hawkins	\$11,568,003	3,513	State	50
<b>Sheet Metal Workers Local 312 Credit Union</b>					
	Connie Burns	\$3,827,501	2,044	Federal	65
<b>South Sanpete Credit Union</b>					
	Jannine Henningson	\$577,460	212	State	86
<b>St. Marks Employees Credit Union</b>					
	Janie Larson	\$8,814,291	1,264	Federal	52
<b>SummitOne Federal Credit Union</b>					
	John Palmer	\$59,896,822	6,099	Federal	28

<b>Credit Union</b>	<b>President</b>	<b>Year-end assets</b>	<b>Members</b>	<b>Charter</b>	<b>Rank</b>
<b>Sunnyside Credit Union</b>					
	Sandra Garcia	\$3,706,390	800	State	66
<b>Tanner Employees Credit Union</b>					
	Arleen Childs	\$6,080,997	1,410	State	59
<b>Teamsters Local 222 Credit Union</b>					
	Lin Bolton	\$2,495,778	622	Federal	72
<b>TransWest Credit Union</b>					
	Marc Mikkelson	\$111,185,127	13,514	State	16
<b>Treasury Credit Union</b>					
	Steve Melgar	\$6,994,022	999	State	55
<b>Tri-County Credit Union</b>					
	Nick Reynolds	\$165,721	86	State	92
<b>U. P. Car Dept. Federal Credit Union</b>					
	John Wells	\$413,876	187	Federal	90
<b>UCB Credit Union</b>					
	Teresa Wilko	\$1,414,886	259	State	76
<b>Uintah Credit Union</b>					
	Dan Olsen	\$3,277,241	1,132	State	69
<b>University First Credit Union</b>					
	Jack Buttars	\$550,308,718	78,526	Federal	6
<b>USU Charter Credit Union</b>					
	Dennis Child	\$135,617,114	21,723	Federal	14
<b>Utah Central Credit Union</b>					
	Brett Blackburn	\$158,321,298	22,390	State	12
<b>Utah Community Credit Union</b>					
	Jeff Sermon	\$727,647,915	107,486	Federal	4
<b>Utah Federal Credit Union</b>					
	Doug Huntsman	\$19,291,692	2,200	Federal	43
<b>Utah First Federal Credit Union</b>					
	Darin Moody	\$240,438,968	21,856	Federal	10
<b>Utah Heritage Credit Union</b>					
	Ilene Rollo	\$42,110,371	7,662	State	30
<b>Utah Power Credit Union</b>					
	Dennis Hymas	\$398,111,131	21,354	State	8
<b>Utah Prison Employees Credit Union</b>					
	Kristine Argyle	3,402,948	1,478	State	68
<b>Valley Wide Federal Credit Union</b>					
	Monica Marchant	\$449,631	147	Federal	88
<b>Valtek Credit Union</b>					
	Richard Nelson	\$719,306	205	State	84
<b>Varian SL Employees Credit Union</b>					
	Tammy Phillips	\$13,121,117	1,230	Federal	48
<b>Weber Credit Union</b>					
	Jeff Shaw	\$88,848,621	13,113	State	19
<b>Weber State Credit Union</b>					
	Vickie van der Have	\$85,409,821	9,187	Federal	21

Information based on NCUA Call Report data for December 2010  
Ranking is by asset size within the State of Utah

